

CALIFORNIA Apparel News

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The grid contains 20 article thumbnails, each with a main headline and a sub-headline. The articles cover a wide range of topics in the apparel industry, including retail trends, trade shows, manufacturing, and fashion collections.

L.A. Textiles Executives Sentenced to Prison for Laundering Mexican Cartel Drug Money

By Deborah Belgum *Executive Editor*

The owners of **Pacific Eurotex Corp.**, a textile company in Los Angeles, were sentenced to federal prison after they pleaded guilty last year to federal money-laundering and tax-evasion charges.

Four years ago, Pacific Eurotex and about 75 other companies were caught up in a vast raid by more than 1,000 federal and state agents who fanned out across the Los Angeles Fashion District to crack down on a long-running money-laundering scheme benefiting two drug cartels in Mexico. The total amount of cash and property seized was more than \$140 million.

During the Fashion District raid, called Operation Fashion Police, law-enforcement officers found \$35 million in cash stuffed in cardboard boxes at a condo, whose owner was not named. At a Bel-Air mansion, again whose owner was not named, another \$10 million in cash was found

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Former Brooks Brothers Building on Rodeo Sells for \$245 Million

By Andrew Asch *Retail Editor*

Rodeo Drive continues to rank as the most expensive commercial real estate in Los Angeles County.

That was reinforced with the recent sale of the former **Brooks Brothers** flagship at 468 N. Rodeo Drive in Beverly Hills, which went for \$245 million. Brooks Brothers opened a new flagship in November at the recently remodeled **Beverly Center**.

The original asking price for the former Brooks Brothers site was \$300 million. The structure was up for sale by the trust of the family of Margaret J. Anderson, who built the pink stucco **Beverly Hills Hotel** in 1912.

Even though no public announcement of the sale was made, documents show that a group named **468 N. Rodeo Drive LLC** acquired the 22,251-square-foot two-story building in September for a price that came out to \$11,010

➔ Rodeo Drive page 3

2018 IN REVIEW

This year has seen a surge in consumer confidence as tax cuts, lower unemployment and higher wages have boosted people's enthusiasm for shopping. This season, holiday shoppers are expected to spend an average \$1,007.24 per person, up 4.1 percent over 2017, which was also a busy year on the shopping scene.

With more shoppers, retailers have been doing a better job of meeting their financial goals, meaning that not as many stores were shutting their doors this year over last year. Still, retailers know they have to meet consumers' desire for omni-channel shopping. For most big clothing chains, e-commerce sales now make up between 25 percent and 40 percent of revenues.

One busy area this year has been on the trade-show front. There have been trade shows moving to new locations, some shutting down shop and others getting a new look or new owners. The adjustments are part of the ever-changing tweaks needed to keep these events relevant to buyers.

In the realm of trade, it has been more of a topsy-turvy year with the Trump administration roiling sourcing plans by placing additional 10 percent tariffs on some goods imported from China. Everyone is waiting to see if a full-blown trade war bubbles over next year.

Our detailed look at the Year in Review starts on page 6.

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Guess? Inc. Fined \$45 Million for Violating EU Commerce Regulations

BRUSSELS—Following an antitrust investigation opened in June 2017, the **European Commission** has fined Los Angeles-based apparel brand **Guess? Inc.** for alleged practices the commission deemed restrictive to retailers. Guess reportedly subjected its retailers to geo-blocking—or prohibitive practices restricting cross-border sales to customers in other European Union member states—and prevented online advertising using the company's branding, such as name and trademarks. The European Commission fined Guess \$45 million.

An investigation into practices by Guess was opened after the commission completed a sector inquiry into e-commerce to examine markets throughout the European Union, which included evidence from 1,900 companies. Through this sector inquiry launched in May 2015, the commission discovered that manufacturers relied on contractual restric-

tions—such as pricing stipulations, marketplace or platform bans, price-comparison-tool restrictions and the exclusion of certain online partners from distribution networks—to control distribution of their goods.

Findings from the sector inquiry revealed one in 10 retailers whose business was examined were forced to adhere to cross-border sales restrictions within at least one product category. At the time, Commissioner Margrethe Vestager explained in a statement that Guess's suspected practices inhibited the European Union's single market.

"The commission has information indicating that Guess, in its distribution agreements, may ban cross-border sales to consumers," she said in June 2017. "One of the key benefits of the EU's single market is that consumers can shop around for a better deal."

By engaging in practices such as placing restrictions on authorized retailers' online

advertising and implementing geo-blocking, Guess violated the commission's rules regarding trade within the European Economic Area. In addition to these violations, Guess demanded its partners receive authorization to sell goods online, prevented stores from establishing their own retail pricing for the company's products, and restricted cross-selling between authorized wholesalers and retailers. These practices violated Article 101 of the European Union's Treaty on the Functioning of the European Union, which protects competition within the region's Single Market.

"Guess's distribution agreements tried to prevent EU consumers from shopping in other member states by blocking retailers from advertising and selling cross-border," Vestager said in a statement explaining the commission's findings this week. "This allowed the company to maintain artificially high re-

tail prices, in particular in Central and Eastern European countries. As a result, we have today sanctioned Guess for this behavior."

Due to Guess's engagement in these unlawful practices from Jan. 1, 2014, until Oct. 31, 2017, the commission found that shoppers in Central and Eastern European countries were charged higher prices than their Western European counterparts. In countries including Bulgaria, Croatia, the Czech Republic, Estonia, Hungary, Latvia, Lithuania, Poland, Romania, Slovakia and Slovenia, retailers were forced to charge an average of 5 percent to 10 percent more for Guess products than shops in Western Europe.

The commission decreased the initial Guess fine by 50 percent as the company cooperated with the investigation by voluntarily revealing details of its illegal practices that were unknown to investigators.

—Dorothy Crouch

L Brands Sells La Senza to Beverly Hills Private-Equity Firm Regent LP

The parent company of **Victoria's Secret**, **Bath and Body Works** and **Henri Bendel** has sold its **La Senza** lingerie-store chain.

L Brands Inc., founded in 1963 by Leslie H. Wexner, announced a transfer of ownership and operating control of La Senza to Beverly Hills, Calif.-based global private-equity firm **Regent LP** for an undisclosed price. According to the deal, L Brands sold 100 percent of its La Senza assets to Regent with Regent agreeing to assume the lingerie brand's operating liabilities.

La Senza's sale comes in the wake of a September announcement by L Brands that in January 2019 it would close its Henri

Bendel stores and the brand's e-commerce site following the 2018 holiday season. The company has also struggled to remain competitive with its Victoria's Secret brand as increased competition continues to grow from lingerie brands using more-relatable marketing tactics to lure consumers.

Despite the deal, which was announced on Dec. 13, L Brands' agreement with Regent might not be a complete end to the Columbus, Ohio-based company's relationship with La Senza. L Brands may receive money from the deal if Regent sells La Senza or finds other ways to monetize the brand. Financial estimates for 2018 showed La Senza

had an operating loss of \$40 million on \$250 million in revenue. Transfer of La Senza ownership from L Brands to Regent should be completed by early January.

After making its first acquisition in 2013, Regent's investments have grown to include consumer products as well as retail and e-commerce ventures to its portfolio.

In addition to La Senza, Regent's brands include **Lillian Vernon**, the personalized-gift seller acquired from **Taylor Corp.** in October 2015. Other ventures include **Sassoon** and a media portfolio of newspapers, magazines and television platforms, including **Sunset** magazine, which it acquired from **Time Inc.** in December 2017.—D.C.

Dept. of Labor Recovers More Than \$1.5 Million for Southern California Garment Workers

More than \$1.5 million in back wages and unpaid overtime were recovered for 668 Southern California garment-industry workers, the federal government announced.

The wages were recuperated by the U.S. Department of Labor's Wage and Hour Division during the 2018 fiscal year after several investigations.

DOL investigators found that a group of Southern California employers not only paid below the federal minimum wage of \$7.25 per hour but also often failed to pay employees overtime when the workers labored more than 40 hours per week. The minimum wage in California is \$10.50 an hour for smaller companies and \$11 an hour for larger companies. In Los Angeles County, the minimum wage is \$12 an hour for smaller companies and \$13.25 an hour for larger companies with 26 or more employees.

The DOL recovered \$61,765 for 18 employees of Los Angeles-area vendor **DAWA Fashion**. The company failed to pay the federal minimum wage and overtime. DAWA

also used a computer program to falsify pay records, the government said.

Other companies forced to pay back wages, overtime and record-keeping violations included Los Angeles vendor **Casa Q**. The DOL recouped \$54,211 from the company. **Valle Fashion** paid \$49,974 it owed in back wages and overtime to 32 employees. The vendor **KIT** paid \$32,623 it owed to 11 employees, said Ruben Rosalez, the DOL's Wage and Hour Division regional administrator.

"We still find high rates of noncompliance even after years of strong education and outreach efforts balanced with targeted enforcement in the garment industry," Rosalez said. "These employees are regularly denied minimum wage and overtime for the long, hard hours they put in on the job. All those in the industry need to recognize that if the price they pay for production done in the U.S. is too low, it can cause egregious minimum-wage and overtime violations, unfairly undercutting their competition."

—Andrew Asch

Report Shows That Dollar Stores Are Popular for Holiday Shopping

People of all income levels and age brackets are shopping dollar stores this holiday season, according to a recent survey conducted by **The NPD Group**, a market-research and consumer-trends company in Port Washington, N.Y.

In the last 12 months ending in October, the number of customers frequenting stores including **Dollar Tree**, **Family Dollar**, **Dollar General** and the **99 Cents Only Stores** has inched up 3 percent compared with last year.

In the survey, some four out of 10 customers said they planned to shop at a dollar store.


"Dollar stores' old bargain-based reputation is now more about value and variety, expanding their reach among consumers," said Marshal Cohen, the chief industry adviser and a retail expert at The NPD Group. "Especially during the holiday-shopping season, time-

starved consumers are attracted to one-stop retailers that help them minimize the surge in their spending."

Shoppers are also spending a bit more in dollar stores, with the average spend per buyer going from \$165 to \$171.

Nearly one third of dollar-store spending comes from households with incomes that total more than \$100,000 a year. The spending distribution among the four lower-income brackets is fairly evenly distributed with the second-highest share coming from households that have an average annual income of \$25,000 to \$49,999.

Gen X shoppers between the ages of 45 and 54 are the primary dollar-store buyer, representing 30 percent of spending, The NPD Group said.—Deborah Belgum



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Laundering *Continued from page 1*

stuffed in duffel bags. More than 30 bank accounts with approximately \$19 million were also seized in the raid, which covered multiple companies.

In some instances, the Fashion District money-laundering scheme involved money drops of millions of dollars in cash to various companies, often delivered in plastic-wrapped bundles. As much as \$80,000 in cash was delivered in a dog-food bag, authorities said.

In a courtroom packed with the friends and relatives of the defendants, U.S. District Judge John A. Kronstadt on Dec. 18 sentenced Morad "Ben" Neman, 58, the chief executive of Pacific Eurotex who lives in the Westwood area of Los Angeles, to two years in prison, fined him \$200,000 and imposed three years of supervised release once he leaves prison.

His brother, Hersel Neman, 59, Pacific Eurotex's chief financial officer who lives in Beverly Hills, was sentenced to 18 months in prison plus six months' home confinement, fined \$60,000 and given three years of supervised release once he leaves prison.

Pacific Eurotex, which was named as a defendant in the case and whose revenues totaled \$40 million a year, was given three years' probation with stringent conditions and fined \$400,000. The company and the Neman brothers will forfeit \$3.18 million to the United States, which includes the narcotics proceeds they allegedly received and deposited in structured cash transactions.

After the raids on Sept. 10, 2014, the Nemans were accused of hiding some \$3.2 million in drug money over two years by dividing it into 384 separate bank deposits. Some \$370,000 of that money was delivered in 2013 on four separate occasions by an undercover agent posing as a money courier.

Court documents showed the money was turned into mostly \$8,800 deposits to various bank accounts, skirting the rule that banks must report deposits that total \$10,000 or more.

When the Neman brothers pleaded guilty on Dec. 21, 2017, they admitted they instructed other individuals to deposit the cash into a personal **Wells Fargo** bank account opened by Hersel Neman's wife, Mojgan Neman.

In the case, Morad Neman pleaded guilty to four counts: conspiring to structure monetary transactions with a domestic financial institution, conspiring to defraud the United States by obstructing the lawful functions of the Internal Revenue Service, subscribing to and filing a false 2013 tax return understating income he received from Pacific Eurotex, and aiding and assisting in the filing of another false 2013 tax return.

Hersel Neman pleaded guilty to three counts: conspiring to launder money, conspiring to defraud the United States by obstructing the lawful functions of the IRS, and subscribing to and filing a false tax return.

Along with the Nemans, two other individuals were indicted in the same case. They were Mehran Khalili, who is a brother-in-law of Hersel Neman, and Alma Villalobos, the in-house accountant and bookkeeper for Pacific Eurotex. Khalili pleaded guilty to conspiring to structure cash transactions, and Villalobos pleaded guilty to conspiring to launder money. Both are scheduled to be sentenced next month.

In court documents, the government said that Pacific Eurotex and its principals started laundering drug money in 2012 and continued to do so up until the 2014 raid.

Prosecutors said the defendants in the case would receive cash they knew was illegal from unknown third parties in payment for open invoices of goods Pacific Eurotex sold,

which was part of a black-market peso exchange system of trade-based money laundering.

To keep this activity secret, the company kept two sets of books, court documents claim. Prosecutors said the second unofficial set of books kept track of the cash received from the drug cartels and concealed this cash from the company's accountants to avoid paying taxes on the income.

Federal agents started their investigation in 2013 after confidential informants alerted federal authorities to the scheme being undertaken by a number of businesses in the L.A. fashion industry.

The money-laundering scheme worked this way: Los Angeles companies would import apparel and textiles into the United States with U.S. dollars left by the drug cartels or manufacture goods in the United States. Those goods were then exported to Mexico and sold at local stores for pesos. Those pesos were deposited in Mexican bank accounts, reportedly for the Sinaloa and Knights Templar drug cartels.

A few years earlier, this plot was popular among toy companies based in Southern California. In 2010, the owners of Los Angeles-based **Angel Toy Corp.** were accused of receiving duffel bags stuffed with alleged cocaine-sales proceeds and laundering them into pesos. They pleaded guilty.

In 2012, the owners of **Woody Toys Inc.** in City of Industry, Calif., were accused of taking large sums of drug money that later were credited to accounts of toy dealers in Mexico and Colombia.

This elaborate kind of transaction became increasingly popular after 2010, when Mexico changed its banking regulations stipulating that deposits in U.S. dollars for regular customers must be limited to no more than \$7,000 in cash a month. The regulations were devised to stop drug cartels from shuffling their drug money into Mexico. ●

Rodeo Drive *Continued from page 1*

per square foot. According to sources, luxury conglomerate **LVMH**, which declined to comment on the deal, is reportedly behind the transaction.

Jay Luchs, vice chairman of **Newmark Knight Frank**, handled the listing but declined to comment about the transaction.

LVMH, or **Moët Hennessey Louis Vuitton**, already has a strong presence on Rodeo Drive. It owns or leases more than eight buildings on the three-block luxury-retail street. A majority of its fashion brands, including **Louis Vuitton, Dior, Celine, Givenchy, Fendi** and **Rimowa**, have flagships on the street.

The purchase of the building might be the latest LVMH move to increase its holdings on the street, which has been a center for high-end shopping for more than 40 years.

On March 28, it was announced that LVMH spent \$110 million on a 6,200-square-foot building at 456 N. Rodeo Drive. A construction barricade bearing the name Celine currently covers the exterior of the property.

In August 2016, LVMH paid \$122 million for the **House of Bijan** building at 420 N. Rodeo Drive, a purchase considered to be one of the most expensive on the street. That purchase price came out to \$19,405 per square foot, which beat out **Chanel's** 2015 purchase of a Rodeo Drive store for \$13,217 per square foot.

While the sale of 468 N. Rodeo Drive did not break any records, Andrew Turf, senior vice president of high-street retail services at **CBRE**, said the former Brooks Brothers building sale was substantial in an area where store leases



cost about \$50 to \$75 per square foot per month.

However, Rodeo is worth every penny, Turf said. It's one of the top-five retail streets in North America. It's important to have a presence on the street. In the long run, owning a building is financially wiser than leasing the space, he said.

While no plans have been officially announced for the former Brooks Brothers store, Turf said that the space may not necessarily house a flagship store, which is what has dominated Rodeo Drive for more than 35 years.

"It's a fantastic street," Turf said. "But it's missing a strong, cooler, younger restaurant and hotel. Younger people across the globe are driving the commerce for these brands. Rodeo Drive should have hospitality elements that match the consumer. That is the one weakness of Rodeo Drive."

Right now, there are two hotels on the street, the **Luxe Rodeo Drive Hotel** and the **Beverly Wilshire**, on the corner of Wilshire Boulevard and Rodeo Drive.

For 13 years, Nicole Pollard Bayme has led private shopping tours of Rodeo Drive's flagships for her company, **LaLaLuxe**. She begins her tours, which start at \$1,200 per person, at the Beverly Wilshire. People taking the tours range from Persian Gulf oil princesses to Sweet 16 parties, who receive the tours as gifts. The tours run at least once a week because interest in Rodeo Drive never seems to wane, Pollard Bayme said.

"It's the hub of luxury shopping in Los Angeles," she said. "The flagship stores on Rodeo Drive often rival flagships on Fifth Avenue in New York and Avenue Mon-

tagne in Paris."

The flagships attract so much attention because of their store windows, and the interiors are a feast for the eyes, Pollard Bayme said. "The luxury brands cultivate clients because they have amazing craftsmanship and because they are storytellers. It's how you fall in love with their concept. It's why you feel okay dropping so much money on a piece," she said.

Rodeo Drive has something for almost everyone, she added. One could spend as little as \$36 on a paperback guide to Los Angeles from Louis Vuitton or on a small bottle of nail polish, but jewelry on the street can cost millions of dollars.

Since 2017, the city of Beverly Hills has been running a campaign to make Rodeo Drive more of a place to hang out. The city's BOLD program, or Beverly Hills Open Later Days, produces musical performances and street backdrops against which to take social-media pictures. Running until Dec. 22, it calls for retailers to stay open until 8 p.m. instead of closing earlier as stores do when it is not the holiday season.

The value of flagships on Rodeo Drive has long been debated. In an interview earlier this year with the *California Apparel News*, Marshal Cohen, chief industry analyst for **The NPD Group**, said that flagship stores on high-end shopping streets are geared to be big billboards for brands.

Tyler Higgins, a director of the global consultancy **AARETE** based in Chicago, said that flagships don't pay their rents through volume business. They sell expensive items to people who can afford to pay vast sums, he said.

The anchors on Rodeo Drive have remained the same year after year, said Kathy Gohari, president of the **Rodeo Drive Committee**, a merchants group. These anchors are dominated by European fashion houses such as **Prada, Cartier, Bally, Burberry** and the LVMH brands.

However, the street's merchants make a point of consistently doing something new. Next year, some of the Rodeo Drive flagships will undergo major remodels, Gohari said. ●



Brooks Brothers building

Hong Kong Fashion Week Celebrating Its 50th Edition

The upcoming **Hong Kong Fashion Week** for Fall/Winter, to be held Jan. 14–17, will see the vast halls of the **Hong Kong Convention and Exhibition Centre** filled with 1,400 exhibitors showcasing everything from buttons and accessories to evening gowns and active-wear.

Exhibitors are primarily from China and Hong Kong, but there will be a number of manufacturers from India and Indonesia.

The four-day fair has various theme zones to cater to every buyer's needs. The Corporate Fashion and Uniform zone is returning this year after debuting in 2018, and it's an important section for corporations and service providers who are looking for uniforms for their front-line staff.

The World of Fashion Accessories is also making a comeback, bringing together fashion items including shoes, bags, fashion jewelry, scarves and shawls.

New this year will be a fashion parade of shoes organized by the **Hong Kong Footwear Federation**.

Continuing at the event will be zones that include womenswear and knitwear and special product zones

that include sportswear, thermal clothing, bridal and evening wear, intimate wear, and swimwear.

Fashion is a major component of the trade show, with 60 international designers taking part in the International Fashion Designers' Showcase.

The fair will have several symposiums and panel discussions that will include presentations by trend forecasters **Fashion Snoops** about the fashion trends for Spring/Summer 2020 and a seminar about the cotton-market outlook and the latest cotton-textile technologies.

Last January, the fair, organized by the **Hong Kong Trade Development Council**, attracted some 14,000 buyers from 76 countries.

Hong Kong Fashion Week is a biannual event held in January and July. In past years, the January edition of the show included a World Boutique section, which highlighted about 250 designers and brands. That was moved a few years ago to a September show called **Centrestage**, which focuses more on fashion collections and holds numerous runway shows.—*Deborah Belgum*



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Calendar

Jan. 5

The Trendz Show
Palm Beach County Convention Center
Palm Beach, Fla.
Through Jan. 7

Jan. 6

AccessoriesTheShow
FAME
Moda
Project Womens
Javits Center
New York
Through Jan. 8

The Trend Show

Shriner's El-Zaribah Auditorium
Phoenix, Ariz.
Through Jan. 8

Jan. 7

Active Collective
Anaheim Convention Center
Anaheim, Calif.
Through Jan. 8

Swim Collective

Anaheim Convention Center
Anaheim, Calif.
Through Jan. 8

Jan. 9

WWSRA Southern California Preview
Orange County Fairgrounds
Costa Mesa, Calif.
Through Jan. 10

There's more
on ApparelNews.net.

For calendar details and contact information, visit ApparelNews.net/events.

Submissions to the calendar should be faxed to the Calendar Editor at (213) 623-5707. Please include the event's name, date, time, location, admission price and contact information. The deadline for calendar submissions is the Tuesday prior to Friday publication. Inclusion in the calendar is subject to available space and the judgment of the editorial staff.

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The Year in Trade Shows

By Dorothy Crouch Associate Editor

The 2018 trade-show circuit saw a lot of changes that ranged from shifts in leadership at event-production companies to acquisitions and new-product launches. Many shows were reporting successful turnout by attendees due to an uptick in the economy, which brought greater consumer confidence and willingness to spend.

As consumer-spending habits continued to shift toward a demand for a more seamless shopping experience and tailored service with unique products, trade-show organizers sought a formula that both embraced the new way of doing business but also satisfied the needs of bricks-and-mortar retailers and designers.

The evolution of the trade-show world in 2018 saw the United Kingdom's **Reed Exhibitions** announce a number of changes to its offerings. Nearly one year after the departure of **Agenda** founder Aaron Levant in January, Reed Exhibitions announced on Nov. 19 that its January 2019 edition of the show—scheduled to take place in Long Beach, Calif., at the **Long Beach Convention Center**—would be postponed as the company shifts the event to a more consumer-focused offering.



Mark Temple-Smith

A testament to its expansion into the consumer market, Reed Exhibitions announced its pop-up retail and hip-hop event **ComplexCon** would see an expanded show in Chicago July 20–21, 2019, at the city's **McCormick Place** convention center.

In 2017, Reed Exhibitions gauged the city's interest in the event when it hosted a **ComplexCon** pop-up event at Chicago's **Museum of Contemporary Art**. The summer event is an expansion of the show producer's Long Beach Com-



Pierre-Nicolas Hurstel

plexCon brand, which takes place in November at the Long Beach Convention Center.

While the future of **Agenda**'s Long Beach event remains undetermined, the concept of its Las Vegas trade show will continue to focus on business-to-business attendees. Important changes to the **Agenda Las Vegas** show included the appointment of Tony Shellman as **Agenda Las Vegas** event director in July. During the August Las Vegas shows, an announcement was made that **Agenda Las Vegas** and the **Liberty Fashion & Lifestyle Fairs** would move to the city's downtown area in February 2019.

The two shows will leave their previous location on the Las Vegas Strip at the **Sands Expo and Convention Center** in favor of the **World Market Center**, a 5 million-square-foot events center located in downtown Las Vegas just outside the city's Arts District.

During 2018, **Emerald Expositions** saw a lot of changes in show production and leadership. The trade-show producer, headquartered in San Juan Capistrano, Calif., moved its **Swim Collective** and **Active Collective** to the **Anaheim Convention Center** after an eight-year run in Huntington

Beach, Calif.

The trade-show production company, which owns 55 events including **Surf Expo**, **Outdoor Retailer** and the **Imprinted Sportswear Show**, is searching for a new chief executive following the Nov. 1 resignation of David Loechner, who had worked with the company—and its previous incarnations—for 35 years. In December 2018, Emerald Expositions announced the cancellation of its 2019 **Interbike** trade show in Reno, Nev.

In June, business-to-business information-services provider **Informa PLC** acquired media-and-event giant **UBM**. The venture created the largest business-to-business exhibitions producer in the world, **UBM** said on its website. Following the departure of **UBM Fashion** Managing Director Mike Alic, **Informa Exhibitions** in September promoted Mark Temple-Smith from his role as commercial director to managing director of the company's fashion exhibitions.

At the August installment of **UBM's WWD MAGIC** in Las Vegas, attendees saw a new addition with the inclusion of a section named **ON:LINE**. Powered by the business-to-business e-commerce marketplace **FashionGo**, the area allowed buyers to explore a select number of pieces by different brands on-site but also afforded online access for buying at a later time.

The much-anticipated **ReMode** event was unveiled by **UBM** and show founder Pierre-Nicolas Hurstel Nov. 13–14 at the **Los Angeles Convention Center**, bringing together fashionable celebrities, apparel professionals and garment-industry experts. During the show, ideas in apparel development, production, promotion and finance were presented under four separate themes: **ReThink**, **ReMake**, **ReMarket** and **ReInvest**.

As many brands within the fashion industry seek more ecologically sound production practices along the supply chain to meet consumer demand for responsibly produced apparel, **ReMode** launched as a single resource to provide sustainable solutions. A second installment of **ReMode** is planned for Oct. 29–30, 2019, in Los Angeles. ●

The Retail News of 2018

The retail realm this year wasn't quite as turbulent as in 2017, when more than 6,000 outposts closed their doors. Yes, retail bankruptcies were still occurring, such as the Los Angeles-based **National Stores** chain,

which filed for Chapter 11 bankruptcy but then was given a lifeline. Overall, the pace of stores going out of business this year slowed.

Here's a look at the changes in retail this year.

JANUARY

The **National Retail Federation** trade group announces that holiday 2017 sales rose 5.5 percent to \$691.9 billion compared to the same period the previous year. Its initial forecast was for 3.6 percent to 4 percent.

FEBRUARY

Jeff Kirwan steps down from his job as chief executive officer of **Gap Inc.**'s Gap brand. In June, former **Billabong** chief Neil Fiske would take over his job.

MARCH

Los Angeles-headquartered menswear chain **Bachrach** announces it is closing all 14 of its stores after filing for Chapter 11 protection.

A once influential mall, **Westside Pavilion**, announces it will change 500,000 square feet of its building into creative office space and a few eateries and shops. The remaining 100,000 square feet will continue to operate as a multiplex cinema for **Landmark Theatres**.

After a 30-year run, **Allen Schwartz** closes its Santa Monica, Calif.-headquartered flagship to focus on digital commerce.

London-headquartered digital

resale market **Depop** opens its first bricks-and-mortar store in Los Angeles' Silver Lake neighborhood. It's part of a wave of vintage- and luxury-consignment stores that opened in Los Angeles and across the country in 2018.

APRIL

Row DTLA near downtown Los Angeles started officially unveiling a wing of boutiques in 2017. It receives a vote of confidence when retailer **Oak NYC** moves in from its Los Angeles Mid-City location.

Dash, the boutique chain owned by the Kardashians, announces it will close its doors after a 12-year run.

MAY

Bebe Stores Inc. closes a deal to sell its Los Angeles-area design studio for \$28.5 million after shuttering most of its 146 stores and selling half the brand to **Bluestar Alliance**.

Once prominent mall retailer **Wet Seal** announces its first project after closing all of its physical stores and turning into a digital-only retailer. It's a collaboration with social-media stars Niki and Gabi DeMartino.

American Apparel announces it will reopen its flagship store on

Los Angeles' Melrose Avenue, but that date has been changed to late February 2019.

JUNE

Eddie Bauer, a Washington-state brand known for its outdoor looks and a focus on outerwear, announces a merger with surfwear and streetwear retailer **Pacific Sunwear of California**. A new operating company, called **PSEB**, is created to run both companies.

Alfred Chang is named president of **Pacific Sunwear of California**, reporting to Mike Egeck, the chief executive officer of **PSEB**.

In a landmark decision, the U.S. Superior Court overturns its 1992 **Quill** decision, which exempted e-commerce sites from collecting sales tax if they did not have a physical presence in a state where the transaction took place. After the 2018 decision, e-commerce companies are required to collect sales tax, putting them on a more even keel with stores.

JULY

San Francisco-headquartered **ThirdLove**, a lingerie and lounge-wear label, opens a facility in Chico, Calif., where 140 fit stylists work.

Louis Vuitton unveils a major remodel of its store in **South Coast**

Plaza in Costa Mesa, Calif. The shop's new look was designed by star architect Peter Marino.

Guess? Inc. partners with **Alibaba Group**, a Chinese-headquartered company focused on e-commerce and technology, to open a concept shop in Hong Kong that showcases Artificial Intelligence technology.

AUGUST

National Stores files for Chapter 11 bankruptcy protection. The Gardena, Calif.-headquartered retailer announces it will close its remaining 184 locations, which include the **Factory 2-U**, **Fallas** and **Anna's Linens by Fallas** locations around the country. However, in November, **Second Avenue Capital Partners** closes a \$22-million asset-based credit facility to start a new retailer called **Fallas Stores**. **Fallas Stores** intends to acquire 85 shops from **National Stores**.

Irvine Spectrum unveils a \$200-million renovation. It also gets a new slate of stores, including the **Stance** flagship.

SEPTEMBER

Palisades Village, a shopping destination in Los Angeles' Pacific Palisades neighborhood, is unveiled. It's the first major retail project in a decade by Los Angeles developer **Caruso**.

Macerich, parent company of **Westside Pavilion**, and **Simon**, a mall developer and owner, announces a partnership to build the **Los**

Angeles Premium Outlets. The off-price center is scheduled to open in the fall of 2021 in Carson, Calif.

Liz Muñoz is named chief executive officer of **Torrid**, which focuses on fashions for plus-size women.

OCTOBER

Gap Inc. introduces men's performance clothing brand **Hill City**.

San Francisco-headquartered online subscription and personal-shopping service **Stitch Fix** opens operations in the United Kingdom.

NOVEMBER

The **Beverly Center** wraps up a \$500-million remodel, the most extensive in the retail center's 36-year history. The remodel brings in new skylights as well as a giant billboard-sized LED screen to the center's Grand Court. The remodel welcomes a slate of new stores including a **Brooks Brothers** flagship, a giant **Zara** and a **Balenciaga** store.

Avant-garde clothier **Dover Street Market** opens an emporium at 606–608 Imperial St. in Los Angeles' Arts District. The neighborhood's retailers hope the arrival of the high-profile retailer is proof that the once blighted area is ready for high-end retail.

DECEMBER

Uniqlo opens a flagship at **The Bloc** retail center in downtown Los Angeles, sharing the shopping-center area with a **Macy's** store and a **Nordstrom Local**. —Andrew Asch

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YEAR IN REVIEW

Trade: The Year Where Nobody Knew What Was Actually Going On

If you had to explain why the stock market is going up and down like a yo-yo, one of the reasons is the uncertainty in trade.

It has been one of the most ambiguous trade years in recent memory with major clothing corporations taking a hard look at their sourcing strategies and shifting production out of China to other low-cost countries. Vietnam appears to be the chief beneficiary of this sourcing swing because it has a good network of apparel factories.

Vietnam's apparel exports to the United States rose 7.35 percent during the

the region. Visible linings are exempt from this requirement.

The other change is that trade-preference levels on some fabric are restricted, meaning that less fabric from outside the region will be available for garments made in Mexico or Canada to qualify them for duty-free entry into the United States.

The trade agreement now has a new name. It is called the United States-Mexico-Canada Agreement, or USMCA. The new NAFTA still has to be approved by the U.S.



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ed States rose 7.35 percent during the first 10 months of this year compared with the same time period last year. In contrast, China's apparel exports to the United States inched up 1.6 percent during that same 10-month time frame to \$23.5 billion.

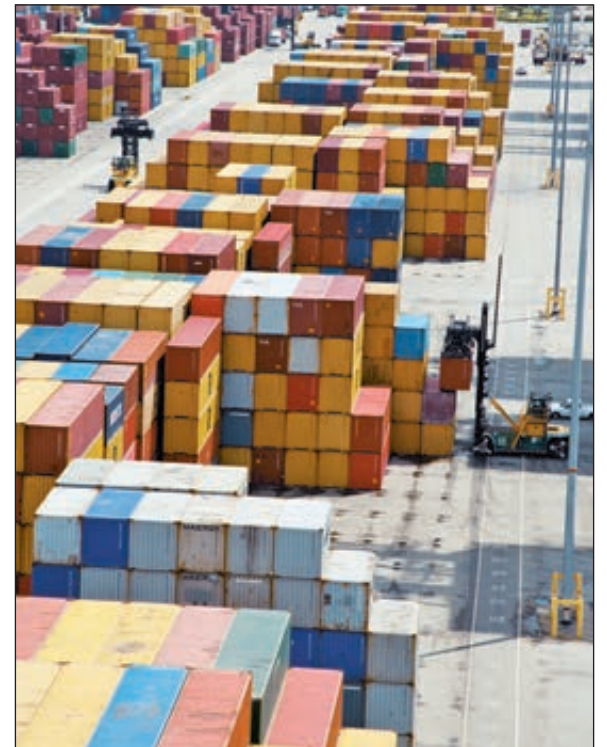
The trade worries with China started in September when President Trump announced he would levy a 10 percent tariff on \$200 billion worth of Chinese products being imported into the United States. While this didn't cover apparel, it did encompass textiles and handbags. The tariffs, which went into effect Sept. 24, were on top of tariffs imposed earlier in the year on \$50 billion worth of Chinese goods.

That rattled the markets, as did President Trump's assertion that he would include \$267 billion more in Chinese goods and raise tariffs to 25 percent at the beginning of the year.

Right now, China and the United States have declared a moratorium on their trade war while they sit at the negotiating table and figure out some middle ground. If no agreement is reached by March 1, the new tariffs would almost certainly include apparel from an industry that manufactures 34 percent of its apparel in China.

While everyone is worried about China, there is a more buoyant feeling about making clothes in Mexico. The Trump administration had threatened to pull out of the North American Free Trade Agreement among Canada, the United States and Mexico, which had been in effect since 1994.

After months of trade negotiations, on Sept. 30 it was announced that the three countries had come to an agreement to replace NAFTA. Slight tweaks to the new accord meant that sewing thread, pocket linings, elastic bands and coated fabrics made in the three countries must now come from



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Congress and the appropriate legislative bodies in Canada and Mexico.

This should come as a relief to the several Los Angeles blue-jeans labels including **Hudson, True Religion** and **7 For All Mankind**, which manufacture in Mexico. If the jeans enter duty free, companies skip paying 16.6 percent duty on cotton jeans and 28.6 percent on man-made-fiber jeans.

The average garment worker in Los Angeles makes about \$480 a week versus \$148 a week for a Mexican apparel worker.

In another part of the world, the U.S. trade agreement with South Korea was on the chopping block this year too. At one point, President Trump threatened to withdraw from the treaty known as KORUS, or the Korean American Free Trade Agreement.

Textile and apparel imports into the United States were not affected. On Sept. 24, Trump and South Korea's President Moon Jae-in signed the new agreement.

—Deborah Belgum

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EVENTS



A Festive Spirit Takes Off at the 71st Annual Holiday Party by the California Fashion Foundation

The activity meter on the top floor of the **Cooper Design Space** went into overdrive as 200 children danced to holiday music, fought with sword balloons, tossed fake snow everywhere and received bulging bags filled with a boatload of gifts.

This was the 71st annual holiday party hosted by the **California Fashion Foundation**—the philanthropic arm of the **California Fashion Association**.

Children at the Dec. 5 party arrived by bus from **Alexandria House**, the **Boys & Girls Club of Los Angeles**, the **Boys & Girls Club of East Los Angeles** and **Para Los Niños**, where they participate in various after-school programs.

A photo booth was set up where children could take self-portraits using props including oversized eyeglasses, funny

masks, hats, golden crowns, and signs that said “Friends Forever” and “I Don’t Know Him.”

A number of fashion-industry elves including Ann Davis, Roberta Sassower, Eileen Ellis, Janet Moss and Bill Panzera worked the food line, where macaroni and cheese, hot dogs, popcorn, potato chips and miniature cupcakes were waiting to be gobbled up.

The big crescendo was Santa Claus handing out gifts to all the children. Huge red bags were filled with dolls from **Mattel**, soccer balls, jigsaw puzzles, mechanical drawing pads, card games and other items.

On hand were Ilse Metchek, president of the California Fashion Association; Barbara Bundy from the **Fashion In-**

stitute of Design & Merchandising; Steve Hirsh and Mona Sangkala from the Cooper Design Space; and Molly Rhodes of the *California Apparel News*.

The party and gifts were made possible through a long list of fashion-industry and financial-industry sponsors, including **Karen Kane Inc.**, the Cooper Design Space, **AIMS360**, **KWDZ Manufacturing**, **Moss Adams**, **Moonbasa**, **STC-QST**, **Alba Wheels Up**, the **Ben & Joyce Eisenberg Foundation**, **Design Knit**, **Kaufman & Kabani**, **Stony Apparel Corp.**, the **Findings** showroom, **White Oak**, the Market restaurant, **Classy Bride**, **Ragfinders**, **Apparel Resources Inc.**, the Fashion Institute of Design & Merchandising and the *California Apparel News*.—*Deborah Belgum*

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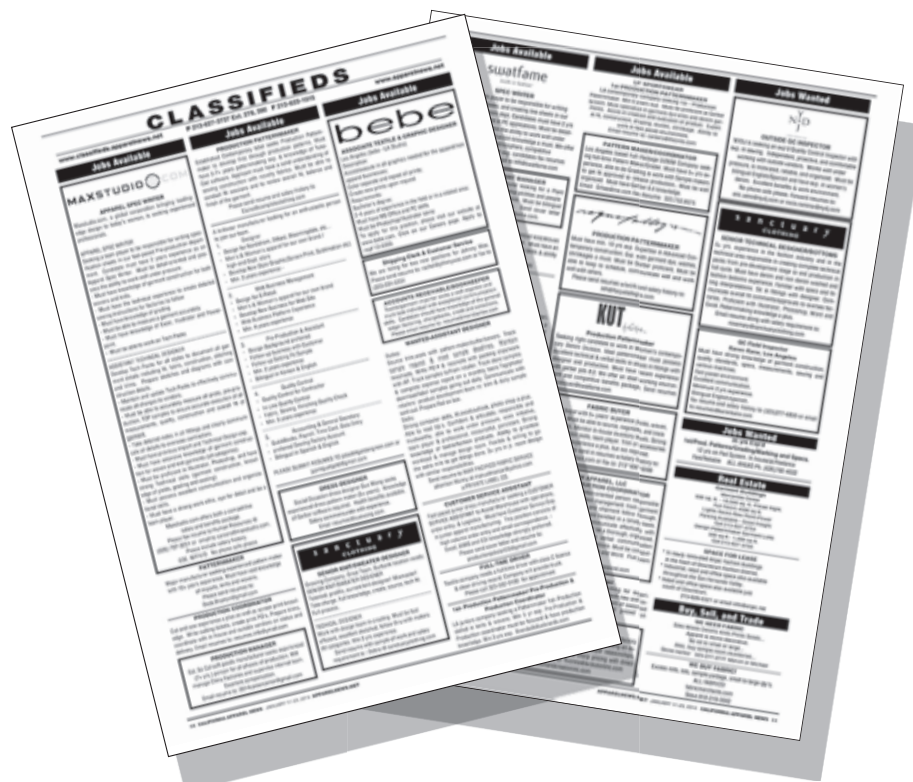
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OffPrice Show 2/3-6
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WWIN 2/4-7
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